

New T & T Hong Kong Limited

香港新電訊有限公司

5/F, New T & T Centre,  
Harbour City, Tsim Sha Tsui,  
Kowloon, Hong Kong.

Telephone (852) 2112 1121

Facsimile (852) 2112 1122



DOCKET FILE COPY ORIGINAL

A member of The Wharf Group

RECEIVED

25 February 1997

FEB 26 1997

Office of the Secretary  
FCC MAIL ROOM  
Federal Communications Commission  
1919M Street, N.W., Room 222  
Washington  
D.C. 20554  
U.S.A.

**In the Matter of 1B Docket No. 96-261)  
International Settlement Rates )  
Notice of Proposed Rulemaking)**

We hereby formally file our comments in relation to the above matter. Enclosed are an original and nine copies of our comments.

For and on behalf of New T&T Hong Kong Limited:

(Ms.) Mei Poh Lee  
Director, Legal, Regulatory & Corporate Affairs

cc: Kathryn O'Brien, International Bureau  
International Transcription Services, Inc.

No. of Copies rec'd

0+9

RECEIVED  
FEB 26 1997  
FCC MAIL ROOM

**New T&T Hong Kong Limited ("New T&T")**

**Comments to the Federal Communications Commission ("FCC")  
of the United States of America (U.S.)  
on the Notice of Proposed Rulemaking in relation to  
International Settlement Rates, 19 December 1996 ("Notice")**

**Introduction**

1. New T&T considers that the achievement of settlement rates which more closely resemble the costs of providing international termination services is a noteworthy and essential goal. However, New T&T queries whether the methodology suggested by the FCC would help to achieve that end. We would contend that unilateral action such as that proposed by the FCC is contrary to ITU multilateral procedures, and indeed, ITU Regulations. We further doubt whether such action would be consistent with WTO MFN obligations.
2. In this submission, New T&T would seek to address the issues, and to answer the following questions raised in the Notice:
  - (i) How should benchmark settlement rates be calculated?
  - (ii) How long should the transition to benchmark rates last? In particular, should we provide a longer transition for developing countries and should we provide additional flexibility beyond any transition for countries committed to introducing competition?
  - (iii) What enforcement mechanisms are necessary to ensure carriers make progress in negotiating settlement rates within the benchmarks?
  - (iv) Can the benchmark rates be used to address competition problems in [the] U.S. IMTS market?

**Imbalance Between U.S.- Outbound and Inbound Minutes**

3. It is a fallacy that U.S. consumers make more telephone calls to foreign countries than foreign consumers make to the United States.<sup>1</sup> The reason for that imbalance can be directly attributed to the fact that the FCC has actively encouraged call-back, and the proliferation of U.S. operators providing call-back IDD services has resulted in that imbalance. Accordingly, it appears hypocritical for the FCC to allege that U.S. carriers are bearing the loss and/or cost of the imbalance, when the imbalance is the direct result of the FCC's own policy, and U.S. carriers are the substantive beneficiaries of the revenues generated from the carriage of such minutes.

---

<sup>1</sup> Notice, para. 8

4. The fact that a typical U.S. consumer pays a much higher price for an international call can be directly attributed to U.S. domestic policy, which gives rise to arbitraging opportunities at various points along the delivery path of a call from the time it commences at a particular piece of customer premises equipment (CPE) to the time it is switched from the relevant international gateway in the U.S. to points outside the U.S.

#### **Subsidies in Current Settlement Rates**

5. Even if the system of international services subsidising local services is a contributing factor for countries desiring an accounting rate settlement system which is above cost levels, it is not for the FCC to unilaterally require the abolition of this system. If such system reflects domestic telecommunications policy of sovereign nations, it is not for government agencies of other nations to unilaterally initiate action which undermine such policies. The constraints to effective competition within a country caused by exclusive licences conferred by governmental prerogative have to be addressed by each relevant domestic administration and not through unilateral action by foreign administrations.

#### **International Benchmarks for Settlement Rate**

6. Tariffed component-pricing could be considered as a reasonable method of arising at benchmark target settlement rates. However, given the variations in prices between and within countries, it would be difficult for a like to like comparison to be made of tariffed component-prices from country to country.

Further, whilst we favour some consideration for developing countries, we consider it too simplistic to conclude that components costs would be lower in "developed" countries than in developing countries. In addition, it would not be sufficient to classify a country in the relevant categories merely by looking at per capita income. We would submit that it would be more relevant to look at, inter alia, factors such as whether there is a system of timed local calls exists in a relevant country; what the prices of local lines are; and what the teledensity is.

7. It appears to us entirely self-serving for the FCC to suggest that whatever benchmark rates are agreed be used to address competition problems in the U.S. IMTS market. Further, lowering of accounting rates would not necessarily bring benefits to consumers, whether in the U.S. or elsewhere in the world. It does not appear to us either that the mere introduction of more competition would bring down accounting rates: for example, Ireland has low accounting rates, not as a result of competition, but purely because of regulatory policy.

## **Enforcement**

8. We consider that the unilateral actions proposed by the FCC to be provocative and unhelpful in obtaining any concerns in the current debate. Any enforcement issues should be discussed at, and come out of, international form such as the ITU. In any event, it appears premature for any enforcement mechanisms to be considered ahead of any agreement on the applicable benchmarks.

## **Conclusion**

9. Whilst we agree that the current accounting rate settlement system needs reform, we do not consider it appropriate for the FCC to undertake unilateral action to overhaul the system. We consider that multilateral consideration of the ITU Secretary-General's Paper on Accounting Rate Reform (Com 3-2-E) is a more appropriate approach.